
Comments on Chen Tin-An's Paper on Taxation System of Taiwan

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Outline of comments

- Unique elements of Taiwanese Tax System
- Tax revenue in macro-economic context
- Where to fix and how?
- Further issues to think about

Unique elements of Taiwanese Tax System: to retain or to abolish?

- **Complicated taxes on consumption and commodities**

VAT (Business Tax)+ Commodity Tax (on seven items) + Special consumption-type taxes (on tobacco, liquor, gasoline and others)

Unique elements of Taiwanese Tax System: to retain or to abolish?

- **Various exemptions and preferential treatments**

Industry-promotion measures continue, and the loopholes made the AMT (alternative minimum tax) necessary, which has resulted in more complicated situation.

Unique elements of Taiwanese Tax System: to retain or to abolish?

- **Businesses of the self-employed and the partnership are under profit-seeking enterprise income tax (PEIT: 營利事業所得稅)**

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Income of owners of the self-employed business (sole-proprietor) and partners is taxed twice at the business and household levels.

Unique elements of Taiwanese Tax System: to retain or to abolish?

- **Complicated land-related taxes**

 - Land-value increment tax

 - Land-value tax

 - House tax

 - Agricultural land tax (suspended since 1987)



Different values of assessment, which is widely off from market values

Tax revenue in macro-economic context

- Low and declining tax revenue

Peaked 20.1% in percent of GDP in 1990, and declined sharply after the Asian Economic Crisis, and now at around 13%

How the government can manage its spending? Privatizing state-owned enterprises, or issuing the public bonds?

Where to fix and how?

- **Consumption-related taxes**

Why don't integrate various taxes on consumption by the VAT?

Taxing additionally on energy is understandable to deal with environmental problems.

Where to fix and how?

- **Broadening the tax base**

Where exactly to be broadened in either personal and corporate income tax, and how this contributes to cutting tax rates?

Can the base-broadening abolish the AMT?

Where to fix and how?

- **Capital-income taxation**

Imputation system with 10% surtax on retained
No tax on capital gains from stocks



Is this an idea of efficient tax on capital?

Isn't, rather, the imputation system now a fading-out tax, and simpler taxes, say dual-income tax, are coming in?

The “unique” taxation on the self-employed and partners continue? If it is to be changed, how?

Further issues to think about

- **Personal income tax**

How is the burden from social-security contribution in comparison of the personal income tax? Isn't it necessary to think the two burden simultaneously, especially for the young generation?

How is the income distribution problem in Taiwan? Widening inequality matters now?

Further issues to think about

- **Corporate income tax**

Now, the tax rate 25% of Taiwan is not very attractive; China will set the same rate, and other Asian countries smaller rates.

Which special measures can be slashed to broaden the tax base for the substantial rate cut?

Further issues to think about

- **Reforming land-related taxes**
(nicely discussed by Professor Chen)
- **Taxes of the central and local governments**
Is the current division of taxes appropriate?
And other problems?